

2011

IRS Nationwide
TaxFORUM



Goldilocks and Retirement Plan Contributions



2011 IRS Nationwide Tax Forums
TE/GE Employee Plans

www.irs.gov/retirement

2011

TaxFORUM
IRS Nationwide

Retirement Plan and Excise Tax Basics

Defined contribution plan

- Benefit depends on amount of contributions and investment earnings

Defined benefit plan

- Plan states benefit and employer must contribute to make that benefit happen

2011

IRS Nationwide
TaxFORUM

Too Much

Maximum contributions

- IRA

\$5,000, plus \$1,000 if age 50 or over

6% excise tax on excess contributions

- Employer plans

SIMPLE IRA plan - \$11,500, plus \$2,500 if age 50 or over

403(b) and 401(k) plan - \$16,500, plus \$5,500 if age 50 or over

10% excise tax on nondeductible contributions

2011

IRS Nationwide
TaxFORUM

Too Little

Funding requirements for money purchase pension and defined benefit plans

- 10% initial excise tax on unpaid amount

Employer matching contributions

- Loss of favorable tax status

2011

IRS Nationwide
TaxFORUM

Too Early

Generally, not until age 59 ½

10% early distribution tax

SIMPLE IRA plans

– 25% if within 2 years of participating

Exceptions differ for IRAs and qualified plans

2011

TaxFORUM
IRS Nationwide

Too Late (Contributions)

Consequences:

- If not made by return due date
 - Loss of deduction
 - Potential loss of limit on annual additions
- SIMPLE IRA plans
 - loss of tax favored status

Employee salary deferrals

- as soon as can be “reasonably segregated”

2011

TaxFORUM
IRS Nationwide



Too Late (Distributions)

IRA

- Age 70 ½

Qualified Plan

- Later of age 70 ½ or retire
- If more than 5% owner – age 70 ½

2011

IRS Nationwide
TaxFORUM

Controlled Group

One business owns at least 80% of another business

Two or more businesses owned at least 80%

- By 5 or fewer persons, and
- Identical interests in any business owned by the group members $> 50\%$

Affiliated service group

2011

IRS Nationwide
TaxFORUM

Controlled Group

Who does my plan need to cover?



Family attribution rules

Spousal exceptions

Community property states – really?

What does this all mean?

2011

TaxFORUM
IRS Nationwide

Maximum Deductible Contributions (under age 50)

Maximum Contributions			
Compensation	SIMPLE IRA	SEP/Profit - Sharing	401(k)
\$50,000	\$13,000	\$12,500	\$29,000
100,000	14,500	25,000	41,500
130,000	15,400	32,500	49,000
196,000	17,380	49,000	49,000

2011

IRS Nationwide
TaxFORUM

2

Employers Plans

W-2 employee and sole proprietor,
businesses not part of a controlled group

- Both have 401(k) plans
- Can I participate in both plans?

W-2 employee for unrelated employer,
independent contractor for another

- Participate in employer's 401(k) + a SEP for self-employed income
- How are my contributions limited?

2011

TaxFORUM
IRS Nationwide

Resources

www.irs.gov/retirement

RetirementPlanQuestions@irs.gov

877-829-5500

Newsletters

Visit our booth

Keep Your Client's Retirement Plan in
Compliance

